

Fiscal Note Request HB0398, As Introduced

(continued)

financial assistance programs of a public or private, nonprofit elementary school or high school in Montana. Nor is there any means of reliably estimating the size of those contributions.

6. In tax year 2001, a total of 1,892 full-year resident individual income tax filers claimed a total of \$7,410,957 in charitable endowment credit, for an average credit of about \$3,900. For fiscal year 2004, a total of 668 taxpayers would have to claim a credit of this amount for contributions to scholarship or other student financial assistance programs to offset the additional general fund revenue generated under assumptions 1 through 3. For fiscal year 2005, this number drops to 474 taxpayers.
7. For the purposes of this fiscal note, it is assumed that the ability to claim the credit for contributions to student scholarship programs or other student financial assistance programs will increase utilization of the credit by 20% above the tax year 2001 level of 1,892 taxpayers; for tax year 2004 a total of 378 taxpayers will take an average credit of \$3,900 for a total credit of \$1.474 million.
8. The credit related to contributions to student scholarship programs or other student financial assistance programs will grow 10% per year; resulting in additional credit in fiscal 2005 of \$1.622 million.
9. The net impact on general fund revenues is an increase in revenue in fiscal year 2004 of \$1.130 million (\$2.604 million - \$1.474 million = \$1.130 million); and an increase in revenue in fiscal year 2005 of \$227,000 (\$1.849 million - \$1.622 million = \$0.227 million).
10. There are no administrative impacts associated with this bill.

<u>FISCAL IMPACT:</u>	FY 2004	FY 2005
<u>Revenues:</u>	<u>Difference</u>	<u>Difference</u>
General Fund (01)	\$1,130,000	\$227,000
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$1,130,000	\$227,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

Under this bill, the reduction in credit claimed (or, alternatively, the increase in general fund revenue) from repealing Sections 2, 4, 6, and 8 of Chapter 24, Special Laws of August 2002 is \$1.435 million in fiscal 2006; and \$1.507 in fiscal 2007. This is offset by increases in credits allowed for student scholarship programs. Future impact on general fund revenues will depend on growth in the use of the credits.

The legislation provides financial opportunities for families with children enrolled in the public school system to enroll their children in private, nonprofit schools. In the longer-term, the movement of students from public schools to private schools would lower the cost of state support for public schools.

TECHNICAL NOTES:

1. There is a question of whether it is constitutional to provide a tax credit for contributions to sectarian educational programs.